

## **La Academia Dolores Huerta Charter Middle School**

The purpose of this Internal Control for Finances Policy is to ensure that La Academia Dolores Huerta Charter School, a New Mexico public charter school, has appropriate and specific control in their financial structures.

### **Internal Control Structure**

Introduction:

La Academia Dolores Huerta Charter School has established and is working to maintain an adequate internal control structure that ensures compliance with all applicable laws and regulations. The internal control structure consists of the policies and procedures established to provide reasonable assurance that our objectives will be achieved.

La Academia Dolores Huerta Charter School has established the control environment so that it reflects the overall attitude, awareness, and actions of the Governing Council of La Academia Dolores Huerta Charter School.

### **Accounting System**

The accounting system consists of methods and records that have been established to identify, assemble, analyze, classify, record, and report La Academia Dolores Huerta Charter Schools' transactions and to maintain accountability for the related assets and liabilities.

- All transactions are identified and recorded.
- Accuracy is maintained when transactions are recorded.
- Transactions and related disclosures are in the financial statements.

### **Control Procedures**

This policy maintains a structure of internal accounting controls to provide that the following are in place:

- Segregation of responsibilities to ensure that the following duties are segregated; authorization to execute a transaction and recording of the transaction.
- A system of authorization and recording procedures to ensure that all transactions are properly approved and recorded.
- Sound accounting practices are in place in the performance of duties and functions. This includes varied error-checking routines that are performed in connection with record keeping and comparing recorded amounts with existing assets and liabilities. Appropriate action shall be taken with respect to any differences.
- Receipts, checks, purchase requisitions, purchase orders, and vouchers shall be sequentially pre-numbered via Accounting Software.
- Proper safeguards are in place to protect unused checks and cash that has not been deposited.
- All transactions are recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP)
- Independent checks on performance and proper valuation of recorded amounts is being performed including checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, administrative review of reports that summarize the detail of account balances, and user review of computer generated reports.

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**Organizational Structure**

La Academia Dolores Huerta Charter School has established an effective organizational structure to ensure the following:

- A system budget and financial reports are created and maintained.
- There is adequate monitoring of activities at each level of the organizational structure.
- There is a system of checks and balances in place which separates incompatible activities to preclude absolute control by any individual. This system also provides supervision by higher levels of management and for the monitoring of the overall school activities.

**Budget Development**

The Business Manager is responsible for developing the proposed budget which covers all funds. In addition, a meeting must be held to include community input.

The Business Manager will consult with the Principal regarding the strategic direction of the budget for the upcoming year. The following will also be considered when developing the proposed budget:

- Current and expected growth patterns.
- The budget to actual report from the prior year
- The Educational Plan for Student Success

Once the proposed budget has been developed, it is forwarded to the Principal for review and approval.

The proposed budget is then presented to the Governing Council for approval. The approval of the proposed budget will be done in an open meeting.

Once the budget is approved by the Governing Council, the budget will be submitted to the Public Education Department.

**Budget Adjustments and Modifications**

The following budget adjustments are reviewed and approved by the Governing Council:

- Initial BARs
- Increase BARs
- Maintenance BARs
- Transfer BARs
- Decrease BARs

The Business Manager/Business Specialist are responsible for preparing all BARs. All BARs will be reviewed by the Principal. Once the Principal approves. The BARs will be submitted to the Governing Council for review and approval at a scheduled Governing Council Meeting. Once the

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Governing Council approves, the Business Manager/Business Specialist will submit the BARs to the Public Education Department. Once the Public Education Department approves, the Business Manager/Business Specialist will make the approved changes to the budget.

**Purchasing**

**Procurement Process**

La Academia Dolores Huerta Charter School is subject to the Procurement Code (NMSA 13-1-1 et. seq.). and shall follow it for purchases.

**Purchasing Requisition/Purchase Order Processing**

Employees needing to make a purchase, must complete a purchase requisition form.

Employee will submit the completed requisition form to the Business Specialist. The Business Specialist will verify the purchase, verify the vendor, or complete all necessary paperwork (vendor's W9, 1099 designation must be entered) to make the vendor an approved vendor in the Accounting Software (the Business Specialist will consult with Business Manager as needed). The purchase requisition will be submitted to the Principal for review and approval. Once the purchase requisition is approved, the Business Specialist will enter the purchase requisition into the Accounting Software to obtain a purchase order. The Business Specialist will submit the entered request to the Business Manager and the Business Manager will verify that the funds are available and will issue the purchase order (the accounting system will generate a purchase order number). Once the purchase order is issued, the original copy is filed with the purchase requisition and a copy of the purchase order is sent to the employee to proceed with the purchase.

\*If the purchase requisition is denied, the Principal will document the reason on the purchase requisition and return to the employee.

**Accounts Payable Processing**

**Receiving**

Purchased goods are received at the school. The requisitioning employee at the school is responsible for performing the following steps when goods are received:

- Inspect all items for visible damage. Damaged goods should not be accepted and returned to the vendor.
- Items received will be cross referenced to the purchase order and the packing slip (if any) will be signed by the employee and will be submitted to the Business Specialist for invoice processing.
- If any discrepancies, the employee will document and notify the Business Specialist as soon as possible.

**Invoice Processing**

All invoices are forwarded to the Business Specialist. When an invoice is received, the Business Specialist will pull the corresponding purchase requisition and purchase order and attach the documents to the invoice (include packing slip if available).

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Accounts Payable will be processed before the invoice due date.

The Business Specialist is responsible for comparing the invoice, purchase order and receiving report. The following should be performed:

- Verify all items shown on the invoice were received.
- Verify the calculations/totals match the invoice.
- If any discrepancies, they are researched and documented and resolved.

The Business Specialist will enter all invoices to be paid into the Accounts Payable Module in the Accounting Software.

- A voucher summary report is printed.
- The Business Specialist will compare the items on the voucher summary report to the supporting documentation and have the Administrative Assistant verify and initial prior to the Principal reviewing. Once verified, the checks will be printed, and the check signers will review all documentation and sign checks.
- The check stock is maintained in a locked cabinet. The Business Specialist will take the number of checks needed according to the voucher summary report and lock cabinet immediately.
- The signed checks are mailed to the vendors.
- The payment vouchers and supporting documents are filed.

**Travel**

Employees traveling for work-related purposes must document workshop information on a Leave Request Form. The form must include, at a minimum, the following:

- Employee Name
- Dates of Travel
- Reason for Travel
- Estimated Departure and Return Time
- Agenda
- Lodging Information

The Business Specialist will complete an employee prior travel form based on the information provided by the employee's leave request form. La Academia will follow the Travel and Per Diem Statute (NMAC 2.42.1 et. seq.)

Once the employee's prior travel form is completed, the Business Specialist will have the Administrative Assistant review and cross reference the NMAC 2.42.1 et. seq. Once reviewed and verified, the Business Specialist will have the Principal review, approve, and sign the employee's prior approval form. The Business Specialist will meet with the traveling employee and review and provide a detailed explanation regarding their travel and reimbursement.

If the Principal is the employee traveling, the leave request and the prior travel forms must be reviewed and approved by the President of the Governing Council.

The Business Specialist will submit a purchase order requisition and follow the Purchasing Process.

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After the employee's travel, the employee must submit all receipts and documentation needed within 7 days of return to the Business Specialist for reimbursement.

The Business Specialist will follow the Invoicing Processing Process to reimburse the traveling employee.

**Payroll**

La Academia Dolores Huerta Charter School is subject to the New Mexico School Personnel Act. La Academia Dolores Huerta Charter School shall follow the School Personnel Act (NMSA 22-10-1 and 22-10A-1 et. seq.).

**Employee Master File Maintenance**

The Principal of La Academia Dolores Huerta Charter School is responsible for monitoring the hiring and termination of employees, authorizing salaries, initiating employment contracts and maintaining staffing levels approved in the annual budget.

Each time employment information changes whether it is due to a pay rate change, a personnel action form must be completed by the Principal or Business Manager depending on change.

The employee and the Principal must sign and date the personnel action form.

Certified employees that are paid based on a salary must have an employment contract in place. Each time their salary changes, the Principal must update the employee's contract, and both the Principal and the employee must sign and date the updated contract.

A copy of all personnel action forms and employee contracts are maintained in the corresponding personnel file and a copy is forwarded to the Payroll Specialist prior to the effective payroll.

The personnel action forms and updated employee contracts are used to update the employee master files in the Payroll Module. This is done prior to payroll processing and is performed by the Payroll Specialist

Access to personnel files and master files is restricted to authorized staff. All payroll information is kept in a locked filing cabinet.

**Direct Deposit**

La Academia Dolores Huerta processes direct deposits for all employees. A Direct Deposit Form must be completed and signed during the hiring process. All direct deposit documentation is submitted to the Payroll Specialist prior to the effective payroll. The Payroll Specialist will enter all direct deposit information into the Accounting Software. The direct deposit forms are filed in the employee's personnel file and kept in a locked cabinet.

**Time Sheets**

All hourly employees are responsible for preparing and signing a time sheet the Friday prior to the following pay period. The time sheet is submitted to the Business Specialist. The Business Specialist will verify the time and rate worked for each employee. Once verified, the Business Specialist will submit the time sheet to the Principal. The Principal will review and approve. Once approved, the Business Specialist will submit the time sheet to the Payroll Specialist to process on the following payrolls.

The Payroll Specialist will submit payroll and then send the payroll register to the Business Specialist to review. Once reviewed, the Business Specialist will submit the payroll register to the Principal for

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approval. The Business Specialist submit payroll to the bank. Once submitted, the Principal will approve payroll in the bank.

**Payroll Liability Reports/Payments**

The following monthly and quarterly reports are prepared via The Vigil Group (Contracted Business Manager):

- RHC
- ERB
- EFTPS
- Form 941
- State Taxation & Revenue
- Worker’s Compensation
- Unemployment
- First Fidelity

**Capital Assets**

La Academia Dolores Huerta Charter School is subject to New Mexico law. La Academia Dolores Huerta Charter School shall follow the procedures set forth below, as they may be amended from time to time under New Mexico law.

***Capitalization***

A capital asset shall be defined as any single item of non-expendable personal property, the cost of which exceeds \$5,000 and has a useful life of more than one year. Expenditures incurred in connection with maintaining an existing facility in good working order are expensed as a repair if the cost is less than \$5,000.

***Acquisitions***

The purchase of capital assets is initiated via Procurement Code just as all other purchases. The Business Manager/Business Specialist is responsible for ensuring that all purchases that qualify as capital assets are properly coded during the purchase order approval stage of the purchasing process.

**Dispositions**

All dispositions will be processed according to the Public Education Department guidance.

Missing or stolen assets are reported in writing to the Principal/Business Specialist as soon as possible.

- A police report must be filed for all stolen assets.
- The Business Specialist will notify the Business Manager if the asset was not recovered, and the Business Manager will remove item/s from the asset records.

**Asset Records**

The Business Manager maintains a detailed listing of capital assets; including the description, the date acquired, vendor, cost, useful life, depreciation information.

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The Principal will designate an employee to maintain inventory records and listing when new assets are acquired, disposed of, lost, or stolen. The employee will provide the list to the Business Specialist and the Business Specialist will communicate the information to the Business Manager.

**Cash Receipts**

The large majority of cash receipts are received via wire transfer directly to the bank.

Individuals receiving coin, currencies, checks, money orders, and other forms of monies received at the school are responsible for turning in all monies received daily to the School's Administrative Assistant. The School's Administrative Assistant is required to count all monies received in the presence of the Business Specialist and issue a pre-numbered cash receipt. All monies received must be kept in a locked drawer until they are deposited. All checks shall be endorsed with the "For Deposit Only" stamp.

**Depositing**

All monies must be deposited into the bank within 24 hours of being received.

The School's Administrative Assistant is responsible for completing the bank's deposit slips.

The deposit slip and all monies being deposited are reviewed by the Business Specialist for approval.

Deposits are made by the School's Administrative Assistant.

A copy of the receipt, the deposit slip, the bank's deposit receipt, and all related documentation are submitted to the Bank's Specialist and filed.

The Business Specialist enters the amounts into the cash receipts module and submits the receipt for approval to the Business Manager. The Business Manager reviews the information for accuracy and correct classification (account number) and approves the cash receipt.

**Student Activity Funds**

**Deposits**

Student Activity Funds are used to account for those resources owned, operated and managed by the student body, under guidance of a staff member or another adult, for educational, recreational or cultural purposes. These funds are used for a wide range of activities that can include the school yearbook, student council, various clubs etc.

The club sponsor must bring all monies collected to the School's Administrative Assistant for deposit by the end of the day of collection.

Sponsors who fail to deliver funds to the School's Administrative Assistant shall be reported to the Business Specialist.

The School's Administrative Assistant will verify monies and issue a pre-numbered cash receipt for the monies received.

The Business Specialist will verify and receipts into the cash receipt module.

The School's Administrative Assistant will follow the normal deposit procedures when depositing Student Activity Funds.

The Business Manager will reconcile the cash account monthly.

**Disbursements**

Sponsors are responsible for submitting a purchase requisition and all other appropriate documents to withdraw funds from their account.

Sponsors are responsible for obtaining the Principal's signature on the purchase requisition approving the withdrawal of funds, prior to submitting the request to the Business Specialist.



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Funds that are withdrawn shall be given to the adult sponsor, under no circumstances. shall funds be released to individual students. Funds will be disbursed in the form of a check. Absolutely no cash will be given as a form of withdrawal.

All goods purchased through Student Activities must follow the school’s procurement policies.

Any balances remaining of the account name shall be carried over into the new fiscal year under the same account.

**Bank Reconciliations**

A bank reconciliation is performed monthly by the Business Specialist for the Main Account and the Activity Account. The Business Specialist submits the bank reconciliations to the Business Manager for review and approval.

**Journal Entries**

Journal entries are made by the Business Manager.

Journal entries are entered in the accounting software system.

Journal entries are reviewed and posted via The Vigil Group Level II Business Manager

**General Ledger**

The general ledger is a record containing the accounts needed to reflect the financial position and the results of operations of the school. Double-entry bookkeeping is utilized, and therefore the debits and credits in the general ledger equal.

The school utilizes the New Mexico Public Education Department (PED) Uniform Chart of Accounts (UCOA). The structure of the UCOA is as follows:

- \*Fund
- \*Function
- \*Object
- \*Program
- \*Location
- \*Job Class

**Financial Reporting**

All reports are generated by the Business Manager.

The following reports are generated:

- Revenue Report
- Expenditure Report
- Issued POs Report
- Check Register Report
- Bank Reconciliation
- Cash Report

All monthly and quarterly reports must be submitted to the state by the last day of the month following the reporting period.

**Record Retention**



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The school retains records in an orderly fashion, for time periods that comply with the State Records Retention Act.

Three to six months after each year end (June 30), the Business Manager has all files exceeding their required holding period destroyed in accordance with the State Records Retention Act.

The school maintains a permanent list of all destroyed records for future reference.

**Account Reconciliations**

**Asset Account Reconciliations**

Asset accounts, which may include investments, inventory, prepaid expenses, travel advances, employee accounts receivable, etc., will be reconciled by the Business Manager monthly. This reconciliation is necessary to adjust the asset account to correct previous posting errors, to correct detail in the asset account because of the discovery of subsequent information about an account and other miscellaneous adjustments needed to bring the asset account in agreement with the supporting detail.

These asset accounts should first be reconciled to any supporting subsidiary ledgers. The subsidiary ledgers maintain the detail by individual transaction. All debt and credit entries to the individual subsidiary ledgers should be agreed to the total postings in the General Ledger for that period.

Once the subsidiary ledgers have been reviewed, corrected, and are deemed accurate, adjusting journal entries may be necessary to bring the General Ledger in agreement with the totals from the subsidiary ledgers. The information necessary to complete these adjusting journal entries will be uncovered during step #2 above.

The Business Manager will maintain a separate file folder for each asset account, including monthly reconciliations.

**Liability Account Reconciliations**

Liability Accounts which may include payroll taxes payable, capital lease liability, accounts payable, etc., should be reconciled by the Business Manager monthly. This reconciliation is necessary to adjust the asset account to correct previous posting errors, to correct detail in the asset account because of the discovery of subsequent information about an account and other miscellaneous adjustments needed to bring the liability account in agreement with the supporting detail.

These liability accounts should first be reconciled to any supporting subsidiary ledgers. The subsidiary ledgers maintain the detail by individual transaction. All debt and credit entries to the individual subsidiary ledgers should be agreed to the total postings in the General Ledger for that period.

Once the subsidiary ledgers have been reviewed, corrected, and are deemed accurate, adjusting journal entries may be necessary to bring the General Ledger in agreement with the totals from the subsidiary ledgers. The information necessary to complete these adjusting journal entries will be uncovered during step #2 above.

The Business Manager will maintain a separate file folder for each asset account, including monthly reconciliations.

**Expenditure Account Reconciliations-Account Summary Report**

Expenditures should be reconciled by the Business Manager monthly. This reconciliation is used to verify the amounts listed as expended in each account line item. It should reveal any data entry posting errors.

The Business Manager will print a detailed general ledger for the month, listing all expenditure line items.

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All supporting documentation (expense voucher packages) will be examined to determine if each item was correctly posted to the appropriate general ledger account.

A schedule will be developed for each account, listing the date, vendor, description, and amount for each general ledger posting.

The total listing of the schedule listing should agree to the general ledger balance.